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STAIRS

EXPLORATION & MINING
COMPANY LIMITED

*The Board of Directors of
Stairs Exploration and Mining Company Limited*

Cordially invites you

as a shareholder to attend the

Official Opening of your Company's gold mine at

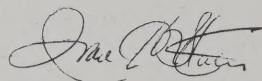
Midlothian Township, Ontario, on

Friday, July 2, 1965 at 2 p.m.

G. L. V. P.

P.O. Box 520,

Bathurst, N.B.



PRESIDENT

HOW TO GET TO THE MINE OPENING

Shareholders intending to take part in the opening of your Company's mine on July 2, and we hope many of you will, should *immediately notify the company*. Please indicate whether you plan to travel by car, bus, air or train. Transportation to the mine will be arranged for those not travelling by car, from the Ontario Northland rail station at Swastika, Ontario. We will also arrange to bring air travellers (Air Canada) from airport at Earleton. Travellers by car should check in at Swastika station for instructions on route to the mine site. If you wish overnight accommodation, please so advise.

Luncheon will be served at the mine and tours of the underground mill and mine workings are being arranged. It is expected that Ontario Minister of Mines George Wardrobe will officiate at the opening ceremonies.

Swastika can be reached by train (Ontario Northland), by air (Earleton airport) and by bus (Gray Coach). It is about seven hours by car from Toronto.

Please address all communications regarding your visit to Gerald P. Stairs, c/o Stairs Exploration & Mining Co. Limited, P.O. Box 520, Bathurst, New Brunswick, not later than June 25.



Ivan C. Stairs (at right), President of Stairs Exploration and Mining Co. Limited, discusses production plans for your Company's Midlothian gold property with Keith Hope, P.Eng., Chief Geologist.

Friday July 2, 1965 will be a historic day for your Company. On this day, our Midlothian, Ontario gold mine will be formally opened and the first gold brick poured. It will be a gala occasion, marking the opening of the first new gold mine in Ontario in several years — an event which comes at a time when two more of the famed half-century old producers in the nearby Porcupine and Kirkland Lake camps are closing down. It is expected that the Hon. George Wardrope, Ontario Minister of Mines will officiate at the opening, along with other personages from the government, from the mining industry, and from local communities. I hope too, that many shareholders will find it possible to be on hand, since we have chosen a holiday weekend. One of our most prominent guests will be Mr. Alex Pope of Gowganda, the prospector who originally staked part of the Midlothian property and from whom your Company acquired the claims which now embrace the mine.

While the opening of the mine certainly marks a big step forward by your Company, let me hasten to say at this point that I regard the occasion more as a beginning than as a climax to three years of painstaking explora-

THE PRESIDENT'S REPORT TO THE SHAREHOLDERS

A close examination being made of the Pope vein on the 80-foot level on the A zone now prepared for mining.

This vein, which dominates the A zone and becomes stronger at depth, was named after Alex Pope, who staked the Midlothian Township property.



tion and development. There is a great deal of work yet to be done before we can say that we have wrested from this ground everything we believe it is capable of giving. It should be emphasized that only one of the 12 favourable zones on the large Midlothian property has so far been developed.

Our main objectives in bringing this A zone into production at this time are twofold — each bearing directly on the future growth of your Company:

1. To provide milling facilities by which we can fully evaluate the potentially larger tonnages in the B and C zones, the Slipper Lake and the Camp zones, all of which are within reach of the A zone shaft; and the vein horsetails on the northeast extremity of the main Pope vein of the A zone, where large tonnage is also possible.
2. To provide, out of the substantial profit envisioned from production of the high-grade ore from the A zone, the funds required to continue the exploration and development of this 165-claim property, including base metals where they may be found to exist; and to retire as quickly as possible the \$1 million 6% debentures which were issued last year in order to finance development and the installation of the mill. It is your Company's policy at this time to finance future growth out of present earnings.

It is in this light that I would ask shareholders to view this opening of the mine. We are opening only the first door. There are many more yet to be unlocked. I am confident we will make an important mine, capable of producing profitably for many years. There is a saying among mining men, that gold mines are made, not found — particularly true in our case.

MINE DEVELOPMENT

During construction and running in of the new mill, underground development has been carried out on all five levels.

The 80-foot level, where the mill is operating, has been prepared for mining. There are two wide gold-bearing shear zones in this level veering northeasterly which we intend to sample now that the mill is available, to determine if they make ore.

On the 200-foot level, four raises have been put up to the 80. Stopes have been prepared, backs are down and mining has commenced. On this



Although the property may be reached by an all-weather road, travel is much better in winter by plane. Property is about 40 air miles south of Timmins, Ontario, near Matachewan.

Pictured below is the Stairs Laboratories Limited metallurgical testing plant at Bathurst, N.B. In foreground is New Brunswick Premier Robichaud (right) with Ivan C. Stairs at opening of plant which is used to test ores and develop extraction processes for Stairs Exploration properties and those of associated and other companies.



level we are finding high grade ore above sections that were essentially barren under lateral development. This will add substantially to the tonnage previously calculated, and a policy of complete vein extraction will be adopted. The ore appears better than mine grade all the way through this level.

On the 350-foot level we are also encountering higher than mine grade ore in the raises of which so far there are three, although as this is written, two have not yet broken through to the 200 level.

On the 500, work on the first two raises is now in progress. From this level a crosscut has been driven into the B zone to the west, where development is now underway.

On the 650 or bottom level, we are drifting along the Pope vein to both east and west. Not enough work has yet been done here to draw reliable conclusions.

From results achieved in development during the past few weeks there seems to be little doubt that a significant increase is indicated both in tonnage and grade. With the new mill now operating we can devote much more time and effort to the exploration and development of the rest of the property. It is proposed to examine as many of the other indicated zones as possible during 1965, with particular emphasis on the underground development of the B zone and a long drive from the 500-ft. level to open up the Slipper Lake zone, 1,000 feet west of the B zone. Surface diamond drilling has indicated these zones have a large tonnage potential.

I should add that, in common with most mines in Northern Ontario today, we have a problem to obtain experienced mine workers, which has tended to slow down the work from time to time. Our work force at the mine is now between 40 and 45 men and I would like at this point to pay these men a well-deserved tribute for the way in which they worked to bring the mine into production on schedule.

RESERVES AND ORE GRADE

At the end of January, reserves in the A zone were calculated at 84,000 tons grading 0.53 oz. gold per ton. At the end of April this tonnage had been increased to 123,000 tons to the 500-ft. level. It should be pointed out in this connection however, that so far the A zone has been fully developed only to the 200 ft. level, and only partially developed on the 350 and 500 ft. levels. The development on these two lower levels gives every indication of a substantial increase not only in tonnage but in ore grade. Any accurate statement concerning additional tonnages and higher grade must of necessity await the completion of development work now underway on these levels.

It should be borne in mind too, that as we proceed with development on the 650 level and into other adjacent zones, and as we go deeper — ore has been indicated by diamond drilling to a depth of 1,000 feet — we should constantly be increasing these reserves. I therefore caution against accepting 123,000 tons, or even the higher figures which may soon be calculated, as indicating this mine's full potential. Geological conditions are indicative of much larger tonnages — although admittedly this remains to be proved.

After its tuning up period, the new gravity and amalgamation circuit mill is working smoothly. Milling at the moment is set at a rate of about 50 tons daily, but as we increase the ore reserves in the A zone this rate may be increased. The present mill can be expanded to treat up to 150 tons daily. In addition to the gold recovery by the gravity and amalgamation circuit, a heavy concentrate is also being collected which contains most of the balance of the gold and silver not extracted by the amalgamation circuit. This will be sold to a custom smelter from time to time as accumulated. It is planned to stockpile all pregnant tailing having in mind the installation at a later date of a cyanide mill of much larger capacity as greater reserves are developed.

BASE METALS PROSPECTS

We are greatly encouraged by the recent discovery of gold occurring in sulphides (pyrite). This has been encountered both in the Marcasite vein in the A zone and also over wide sections in the first underground work in the B zone. In addition diamond drilling has indicated other large deposits of sulphides in the immediate mine area and elsewhere on the property. These could hold excellent potential for base metals as well as gold.

Two years ago, your Company completed an airborne electromagnetic survey of the entire property, which covers about 10 square miles. Nineteen anomalies were outlined. In January of this year, ground EM and magnetometer surveys covered a lineament of seven anomalies which follow a drainage pattern for two miles and passes within 800 feet south of the A zone shaft.

Previous reconnaissance drilling and surface geology combine to indicate that a major fault underlies the anomaly and has a rhyolitic footwall with limy sedimentary hanging wall. These environments are considered favorable for base metal deposition. Indications of copper, lead and zinc have been noted in the massive sulphides (marcasite) encountered in preliminary test drilling. Further work is planned this year on these anomalies.

BRITISH COLUMBIA

The great mineral wealth of British Columbia is only now being fully recognized by the rest of Canada. Your Company in association with Westairs Mines Limited and East Ventures Limited, is participating in the exploration of a very large property, covering about 48 square miles, on Roseberry Mountain, in the Big Bend area, 25 miles north of Revelstoke, B.C.

In exploration carried out last year, some 18 mineral showings were located in four parallel bands of sulphide mineralization carrying gold, silver, lead and zinc, with some erratic values of copper and cadmium. Two adits totalling 586 feet were cut from which 1,400 feet of diamond drilling in four holes was done. Some 312 surface and underground samples were assayed which gave an average gross value (including the barren samples) in excess of \$60.00 per ton. The ore is made up of about 20% combined lead-zinc, 8 ounces silver and approximately 0.30 oz. gold. The ore is arsenical and fine grained, which ordinarily presents a treatment problem. However, we have succeeded, at least on a "bench" scale, in developing a process of economic extraction at the Stairs Laboratories Limited metallurgical plant at Bathurst, N.B. The cost of last year's program was \$143,000, shared by three companies.

Further work is now underway on this ground under the personal supervision of your Company's Chief Geologist, Mr. Keith Hope, and one of the objectives will be to evaluate all the known mineralized zones and showings. Electromagnetic and magnetic ground surveys will also be done over three of the zones, along with trenching and further underground exploration and diamond drilling.

This program, of course, is still in the early stages and difficult to evaluate at this point, though there is no doubt the potential appears most impressive. Heretofore this area has been largely by-passed because of its ruggedness. We found however, that by using helicopters, we could overcome this problem and open it up for exploration.

FINANCIAL STATEMENT — ANNUAL MEETING

The audited Financial Statement for the year ending December 31, 1964 which follows, presents a pro-forma balance sheet giving effect to the issuance last year of \$1,000,000 par value 6% Income Convertible Debentures which netted your Company \$950,000. It will be noted that there are no options outstanding on treasury shares, and no consideration is being given at this time to any new equity financing. We consider our financial position fully adequate at this point, considering the income which will now come from the mining operation, to take care of further exploration both at the Midlothian property and pay our share of the Revelstoke program.

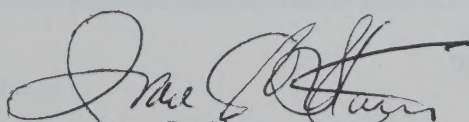
It will be noted that your Company, from incorporation to the end of last year has spent \$873,077 on mine exploration. Administrative expenses in this period totalled \$80,735. Thus the application of funds raised by your Company shows a ratio of more than \$10.00 spent on direct mine exploration for each \$1.00 of administration costs.

The Annual Meeting of shareholders will be held this year again in Bathurst, N.B. on Monday June 28 at the time and place noted on the accompanying Notice of Meeting. Shareholders unable to attend this meeting are requested to sign and return the enclosed Proxy form in the addressed envelope provided.

THE FUTURE

I think it is now possible to say that your Company is well on the way to a successful career in mining. The past three years have not always been easy, but we have reached the point from which you may legitimately anticipate a profitable new enterprise, growing in dimension as we proceed with our mining, development and exploration programs. Shareholders will be kept fully informed of further progress throughout the year.

On behalf of the Board of Directors,


President

June 16, 1965



This is a side view of the Stairs' headframe at the Midlothian, Ontario mine, which is also pictured in colour on the front page, viewed looking north from the tailings pond. Shaft at the mine goes to a depth of 650 feet, but deepening is planned to 1,350 since diamond drilling has indicated ore to a depth of 1,000 feet.

Pictured below is another view of the Pope vein from the 80-ft. level, this one showing the horsetail stringers which are to be tested this summer in the new mill.



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After giving effect to the following transactions:

(1) The sale of \$1,000,000.00 par value of 6% Income Conversion Bonds for an amount of \$950,000.00. (2) The repayment by the company of the \$950,000.00.

CURRENT ASSETS

Cash on hand and in bank	762,436.38	
Accounts receivable	27,818.55	
Advances to employees	196.45	
Inventory — stores	9,850.21	
Prepaid expenses	1,394.50	801,696.09

FIXED ASSETS — at cost

8 Unpatented Mining Claims in the Township of Midlothian, District of Timiskaming, Ontario, acquired for 900,000 common shares of the Company at 10 cents per share		90,000.00	
153 Unpatented Mining Claims in the District of Timiskaming, Ontario, acquired at staking cost, less \$1,000.00 proceeds from option of certain claims		6,000.00	
11 Unpatented Mining Claims in the Township of Stock, Mining Division of Larder Lake, Ontario, acquired under option on a payment of \$2,000.00 — see Note 1		2,000.00	
Buildings	151,881.20		
Equipment	164,560.56		
Underground mill excavation	8,185.73		
Automotive equipment	16,921.12		
Telephone system	2,600.00		
Underground equipment	67,584.73	411,733.34	509,773.34

OTHER ASSETS

Incorporation and organization expense	2,000.00	
Development Expenses — Deferred — Schedule 1	873,077.48	
Administrative Expenses — Deferred — Schedule 2	80,735.49	
Debenture Discount	50,000.00	1,005,812.97
		<u>\$2,317,242.40</u>

Approved on behalf of the Board of Directors

IVAN C. STAIRS, Director

M. A. CALNAN, Director

AUDIT

TO THE SHAREHOLDERS OF STAIRS EXPLORATION & MINING COMPANY LIMITED

We have examined the Pro Forma Balance Sheet of Stairs Exploration & Mining Company, Inc. and the accompanying notes thereto, and the Administrative Expenses deferred for the period ended December 31, 1964. Our examination was made on the basis of the accounting records and other supporting evidence as we considered necessary in

We report that, in our opinion, the above Balance Sheet and accompanying notes, in conjunction with the notes thereto, present fairly the financial position of the Company as of December 31, 2012.

Bathurst, N.B.
January 9, 1965

MINING COMPANY LIMITED

(Incorporated in the Province of Ontario)

AS AT DECEMBER 31, 1964

Debt of the Company is represented by Debentures and the receipt of the proceeds of such sale in the amount of \$186,873.86 made by an affiliated company.

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued charges	21,090.05	
Employees income tax deductions	<u>1,147.35</u>	22,237.40

DEFERRED LIABILITIES

6% Convertible Redeemable Income Debentures due December 31, 1974 — Authorized and Issued		1,000,000.00
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SHAREHOLDERS' EQUITY

CAPITAL STOCK — see Notes 2, 3, 4, 5 and 6

AUTHORIZED — 5,000,000 common shares having a par value of \$1.00 each

	NUMBER OF SHARES AND PAR VALUE	DISCOUNT	NET	
ISSUED				
For Cash	1,700,005.00	495,000.00	1,205,505.00	
For Mining Claims	900,000.00	810,000.00	<u>90,000.00</u>	1,295,005.00
	<u>\$2,600,005.00</u>	<u>\$1,305,000.00</u>		
				<u>\$2,317,242.40</u>

REPORT

The Company Limited as at December 31, 1964 and the Statement of Development and Production included a general review of the accounting procedures and such tests of the same as the circumstances required.

The Statement of Development and Administrative Expenses deferred, when read in connection with the financial statements at December 31, 1964, in accordance with generally accepted accounting principles.

STAIRS EXPLORATION & M

NOTES RE FINANCIAL STATEMENTS

as at December 31, 1964

Note 1 By an agreement dated May 14, 1964, the company has acquired an option on eleven mining claims in the Township of Stock on the following terms: \$2,000.00 cash on the signing of the agreement, \$2,000.00 within six months of the agreement date, \$6,000.00 within twelve months of the agreement date, \$10,000.00 eighteen months from the agreement date, \$15,000.00 within twenty-four months from the agreement date, \$15,000.00 within thirty months of the agreement date, \$25,000.00 within thirty-six months of the agreement date and paying annually 10% of the net profits earned from any ores that may be mined from the claims. On November 13, 1964 the company and optioner agreed to postpone the second and subsequent payments by twelve months.

Note 2 By an agreement dated July 26, 1962 the company has agreed to sell 100,000 shares at 25¢ per share payable seven days after the acceptance for filing by the Ontario Securities Commission of the company prospectus which was accepted on October 18, 1962.

By the same agreement dated July 26, 1962 the company has granted options covering 500,000 shares to be taken up as follows:

100,000 shares at 40¢ per share to be taken up and paid for on or before January 11, 1963.

100,000 shares at 75¢ per share to be taken up and paid for on or before April 11, 1963.

100,000 shares at \$1.25 per share to be taken up and paid for on or before July 11, 1963.

100,000 shares at \$1.75 per share to be taken up and paid for on or before October 11, 1963.

100,000 shares at \$2.25 per share to be taken up and paid for on or before January 11, 1964.

Options covering the 100,000 shares at 25¢ and after the purchase of 400,000 shares pursuant to four of the foregoing options had been completed, the fifth option, covering 100,000 shares at the price of \$2.25 per share was cancelled by mutual consent.

Note 3 By an agreement dated October 30, 1963 the company granted options covering 200,000 shares to be taken up as follows:

- (a) 50,000 shares at \$2.10 per share payable in cash within two days after acceptance of the company prospectus by the Ontario Securities Commission and the Quebec Securities Commission and the filing with the Canadian Stock Exchange of the requisite filing statement (hereinafter called the "effective date").

NING COMPANY LIMITED

NOTES RE FINANCIAL STATEMENTS (cont'd.)

- (b) The whole or any part of 50,000 shares at any time on or before the expiry of 20 days from the effective date at the price of \$2.10 per share.
- (c) The whole or any part of 25,000 shares at any time on or before the expiry of 30 days from the effective date at the price of \$2.35 per share.
- (d) The whole or any part of 25,000 shares at any time on or before the expiry of 40 days from the effective date at the price of \$2.60 per share.
- (e) The whole or any part of 25,000 shares at any time on or before the expiry of 50 days from the effective date at the price of \$2.85 per share.
- (f) The whole or any part of 25,000 shares at any time on or before the expiry of 60 days from the effective date at the price of \$3.10 per share.

The foregoing agreement was terminated by mutual consent of the parties thereto prior to the sale of any shares or the exercise of any option to purchase any shares in the capital stock of the company.

- Note 4 By an agreement dated January 24, 1964 the company has agreed to sell 100,000 shares of the capital stock of the company at \$1.00 per share.

This option has been exercised and the funds received by the company.

- Note 5 By an agreement dated February 24, 1964 the company has agreed to sell 200,000 shares of the capital stock of the company at \$1.00 per share and has granted an option on an additional 400,000 shares of the capital stock, such option to be exercised as follows:

200,000 shares at \$1.25 within three months of the acceptance of the company prospectus by the Ontario Securities Commission and the Quebec Securities Commission and the filing by the company with the Canadian Stock Exchange of the requisite filing statement (hereinafter called the "effective date").

200,000 shares at \$1.50 per share in whole or in part at any time or from time to time on or before the expiry of 180 days from the effective date at the price of \$1.50 per share.

This option has been exercised to the extent of 300,000 shares and the funds received by the company. The option on the remaining 100,000 shares at \$1.50 was not exercised and has now expired.

- Note 6 Under the convertible term applicable to the debentures 571,428 shares must be reserved to fulfill the convertibility requirement until December 31, 1967, after which date and until December 31, 1970 the number of shares required to be reserved drops to 500,000 and therefor 400,000 shares must be reserved.

STAIRS EXPLORATION & MINING COMPANY LIMITED

Statement of Development Expenses Deferred from Incorporation of the Company to December 31, 1964

Land clearing	12,278.11
Prospecting	2,015.00
Land Surveys	3,938.20
Geological surveys	5,314.63
Road construction	16,919.30
Line cutting	7,923.86
Field exploration	12,622.31
Surface diamond drilling	259,173.19
Shaft collar	10,930.49
Shaft sinking	96,142.22
Station cutting	26,320.98
Drifting and cross cutting	173,705.35
Raising	9,014.22
Stope preparation	15,934.18
Underground diamond drilling	23,228.66
General mine overhead (Details below)	197,616.78
	<u>\$873,077.48</u>

General Mine Overhead Expenses

Bunkhouse expenses	7,737.61
Bank charges	964.67
Cookery expense	42,998.07
Engineering fees and expenses	17,123.26
Fire protection	1,468.44
General camp maintenance	13,117.20
Geological expenses	2,360.00
General expense	4,590.48
Mine Insurance	8,793.79
Group Insurance	103.00
Inter-communication expenses	225.99
Maps and blueprints	3,083.50
Medical	113.70
Mining licenses and fees	1,656.93
Mine office and warehouse expenses	12,421.57
Management	9,400.00
Provincial sales tax	46.65
Postage	43.69
Snow removal and road maintenance	12,298.69
Superintendence	16,110.00
Travelling and transportation	17,274.69
Telephone	3,597.11
Unemployment Insurance	2,306.09
Vacation pay expense	3,175.73
Workmen's Compensation	16,605.92
	<u>\$197,616.78</u>

Statement of Administrative Expenses — Deferred from Incorporation of the Company to December 31, 1964

Advertising	829.76
Bank charges	1,620.97
Cash discounts	(—) 5.86
Engineering fees and expenses	27.93
Filing fees	547.57
General expenses	630.00
Legal and audit	12,598.00
Office salaries	3,980.90
Office supplies and expense	1,543.49
Public relations	300.00
Stock registration	4,209.69
Shareholders' information	1,595.48
Telephone and telegrams	6,455.60
Travelling	24,230.84
Taxes	58.62
Transfer agents fees	1,236.53
Insurance	3,300.00
Postage	146.47
Consultants fees	7,429.50
Management service charge	10,000.00
	<u>\$80,735.49</u>

STAIRS EXPLORATION & MINING COMPANY LIMITED

CAPITALIZATION

AUTHORIZED 5,000,000 shares — par value \$1.00

ISSUED 2,600,005

IN TREASURY 2,399,995

OFFICERS AND DIRECTORS

Ivan C. Stairs, *President* Bathurst, N.B.

Gerald P. Stairs, *Vice-President* Bourlamaque, P.Q.

Muriel A. Calnan, *Secretary-Treasurer* Bathurst, N.B.

Edgar F. Stairs, *Director* Bathurst, N.B.

Edward G. Byrne, Q.C., *Director* Bathurst, N.B.

CHIEF GEOLOGIST

Keith Hope, P.Eng.

HEAD OFFICE

Suite 1101, 21 King Street East, Toronto, Ontario

EXECUTIVE OFFICE

920 Bridge Street, Bathurst, N.B.

MINE OFFICE

Midlothian Township, Ontario
P. O. Box 189, Matachewan, Ontario

REGISTRAR AND TRANSFER AGENT

Guaranty Trust Company of Canada, Toronto, Ontario,
Montreal, P.Q. and Vancouver, B.C.

SOLICITORS

Edward G. Byrne, Q.C., Bathurst, N.B.
and
Miller, Thomson, Hicks, Sedgwick, Lewis & Healy,
21 King Street East, Toronto, Ontario

AUDITORS

Hudson McMackin & Company, Chartered Accountants,
Bathurst, N.B.

ANNUAL SHAREHOLDERS MEETING

Monday, June 28, 1965,
at Bathurst, N.B.

LISTED

The Canadian Stock Exchange, Montreal,
The Vancouver Stock Exchange

